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MARKETING SPREADS FOR TURKEYS IN SELECTED CITIES

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MARKETING SPREADS FOR TURKEYS IN SELECTED CITIES 1/

Farm-retail price spreads for turkeys in five major United States cities -- Boston, Chicago, Los Angeles, New York, and St. Louis -- averaged 21.8 cents a pound on medium-size birds and 21.6 cents on large turkeys in October-December 1958 (table 6). 2/ These spreads exceeded comparable spreads in 1957 by 3.5 cents a pound on medium and 0.8 cent on large turkeys. 3/ However, the 1958 spreads on both sizes were 0.2 cent a pound less than those in the fourth quarter of 1956. 4/ Changes in retail store spreads, which are largely the result of retailers' pricing policies, accounted for most of the change in the total spread.

Medium-size turkeys receive most of the attention in this study because they are the most popular buy for homemakers. 5/ Small-size turkeys are ommitted from this report because of insufficient data.

Elements of the Spread

The retail store spread averaged 10.3 cents a pound for medium turkeys in October-December 1958, 3.5 cents above a year earlier. The low average for October-December 1957 resulted largely from the sharp break from 10.4 cents in October to 1.8 cents a pound in December. Changes from October-December 1957 to the same period of 1958 in the receiver-retailer spread (a wholesale margin) and in the farm-receiver spread (largely a processing and transportation margin) were offsetting.

1/ Prepared by Leo R. Gray, Agricultural Economist, Mktg. Res. Div., Agr. Mktg. Serv.

2/ The farm-retail price spread is the difference between the midmonth retail price per pound and the farm value or payment the farmers receive for the equivalent quantity of live turkey. Midmonth retail prices are collected by the Bur. of Labor Statistics for the 7-day period ending on Wednesday of the week including the 15th of the month. Prices at the farm, city receiver, and price-to-retailer levels are for the Wednesday of the week including the 8th of the month to allow for some lag in marketing. Retail prices of turkeys during the few days just before Thanksgiving and Christmas generally have been lower than the BLS midmonth retail prices (p. 31).

3/ Turkey size ranges used in this report are: Large -- more than 16 lbs.; medium -- 8 to 16 lbs.; and small -- less than 8 lbs.

4/ For a more detailed presentation of the 1956 and 1957 spreads by cities, see Gray, Leo R., and Pritchard, Norris T., "Farm-Retail Spreads for Poultry and Eggs in the United States and Selected Cities," The Marketing and Transportation Situation, Jan. 1958, p. 27.

5/ Weidenhamer, Margaret, Consumer Preferences, Usages, and Buying Practices for Poultry and Poultry Products. U. S. Dept. Agr., Mktg. Res. Rpt. 252, June 1958, p. 31.

Table 6.- Turkeys, medium and large: 1/ Price spreads and prices per pound, ready-to-cook basis, at various market levels, selected cities, averages October-December 1956-58

Size of turkey, year, and city	Price spreads				Prices			
	Farm-retail	Retail-store	Receiver-retailer	Farm-receiver	Retail	To retailers	To city receivers 2/	Farm value 3/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Medium turkeys:								
5-city average 4/								
1958	21.8	10.3	3.5	8.0	52.6	42.3	38.8	30.8
1957	18.3	6.8	3.3	8.2	49.7	42.9	39.6	31.4
1956	22.0	10.1	2.7	9.2	55.8	45.7	43.0	33.8
Individual cities, 1958								
Boston	22.1	11.3	1.5	9.3	53.1	41.8	40.3	31.0
Chicago	18.2	7.0	5.2	6.0	49.5	42.5	37.3	31.3
Los Angeles	21.8	10.4	3.0	8.4	51.7	41.3	38.3	29.9
New York	22.5	10.3	3.7	8.5	53.5	43.2	39.5	31.0
St. Louis	24.5	12.4	3.9	8.2	55.1	42.7	38.8	30.6
Atlanta	21.4	7.9	4.0	9.5	52.6	44.7	40.7	31.2
Baltimore	24.8	11.8	3.0	10.0	56.0	44.2	41.2	31.2
Cleveland	23.7	11.7	---	---	55.0	5/43.3	---	31.3
San Francisco	24.7	12.5	3.3	8.9	54.6	42.1	38.8	29.9
Washington, D. C.	24.9	13.6	2.5	8.8	56.1	43.0	40.5	31.7
Large turkeys:								
5-city average 4/								
1958	21.6	9.1	2.6	9.9	47.3	38.2	35.6	25.7
1957	20.8	7.2	2.9	10.7	45.3	38.1	35.2	24.5
1956	21.8	8.5	2.3	11.0	52.9	44.4	42.1	31.1

Continued -

Table 6.- Turkeys, medium and large: 1/ Price spreads and prices per pound, ready-to-cook basis, at various market levels, selected cities, averages October-December 1956-58 --Continued

Size of turkey, year, and city	Price spreads				Prices			
	Farm-retail	Retail-store	Receiver-retailer	Farm-receiver	Retail	To retailers	To city receivers 2/	Farm value 3/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Individual cities, 1958								
Boston	23.1	11.1	0.5	11.5	49.1	5/38.0	37.5	26.0
Chicago	19.3	8.6	1.3	9.4	45.6	37.0	35.7	26.3
Los Angeles	20.3	7.3	4.2	8.8	45.1	37.8	33.6	24.8
New York	22.2	8.9	2.1	11.2	48.0	39.1	37.0	25.8
St. Louis	23.0	9.3	4.9	8.8	48.5	39.2	34.3	25.5
Atlanta	20.9	5.0	4.1	11.8	46.9	41.9	37.8	26.0
Baltimore	23.3	9.4	2.8	11.1	49.4	40.0	37.2	26.1
Cleveland	25.9	---	---	---	52.2	---	---	26.3
San Francisco	23.9	7.5	4.7	11.7	48.7	41.2	36.5	24.8
Washington, D. C.	21.2	8.3	3.3	9.6	47.6	39.3	36.0	26.4

1/ Turkey size weight ranges are: Medium -- 8 to 16 pounds, and large -- more than 16 pounds.

2/ City receiver prices for Chicago, Los Angeles, and New York represent wholesale selling prices but for the other 7 cities represent f. o. b. delivered city prices.

3/ Farm value is the payment received by producers for the quantity of live turkey equivalent to 1 pound of ready-to-cook turkey. These values were computed from prices reported in major commercial turkey producing areas such as San Joaquin Valley, Shenandoah Valley, and Iowa.

4/ 5-city average includes Boston, Chicago, Los Angeles, New York, and St. Louis.

5/ Estimated from data for less than 3 months.

Compiled from retail prices collected by the Bur. of Labor Statistics and from prices to retailers, city receiver prices, and prices received by farmers collected by Federal and State market news services.

Both retail store and receiver-retailer spreads averaged higher on medium than on large turkeys in 1958 (table 6). 6/ The wider retail spreads on medium turkeys may be the result of less frequent use of this class of turkeys as low margin special sales attractions in retail stores. The preference of homemakers for medium turkeys over large birds lessens the need for sharp reductions in prices to attract purchasers. The higher farm-receiver spread on large turkeys may be due to the practice of holding the larger birds in storage for longer periods to permit year-round distribution to restaurants and institutional outlets and for speculative purposes. Most producers raise only one crop of large turkeys each year and the heaviest slaughter of the big birds occurs in the fourth quarter.

A more detailed analysis of the 1958 farm-receiver spread for large turkeys in Chicago shows:

	Cents a pound
Spread:	
Farm-shipping point	7.3
Shipping point-receiver	2.1
Total farm-receiver	9.4

The farm-shipping point spread consisted largely of the processor spread. The shipping point-receiver spread was largely made up of costs for transportation plus a distributor margin. 7/

The farm-retail spread -- the sum of the farm-receiver and receiver-retailer spreads -- differs less among cities than does either of its parts. In some cities, receiver prices are "f. o. b. delivered city prices" and in other cities they are "wholesale selling prices." The f. o. b. prices are those paid by the first receivers whereas the wholesale prices are those received by the first receivers. Some overlapping of wholesale and first-receiver prices is possible because of the narrow spreads involved.

Types of services performed by wholesalers and transportation costs influence differences in component spreads among cities. Prices to retailers in Boston are reported on a "not delivered" basis whereas these prices in other cities are on a "delivered" basis. Prices to retailers in Boston could be adjusted to a delivered basis by adding from 1 to 2 cents a pound. Such an adjustment would reduce retail store spreads and increase receiver-retailer spreads in that city by a like amount. With this adjustment in the Boston price, the spreads between city receiver prices and retailer paying prices differ little among cities. The services involved in

6/ The receiver-retailer price spread on large turkeys in Boston in 1958 (table 6) was identical with the one reported for wholesalers in that city in 1955, but the spread on medium turkeys was 1 cent a pound higher in 1958 than in 1955. Information for Washington in 1954 and for Boston and Cincinnati in 1955 was derived from Rinear, Earl H., Marketing Margins and Practices for Turkeys Sold in Three Eastern Markets, U. S. Dept. Agr., Mktg. Res. Rpt. 191, Aug. 1957.

7/ These spreads closely resemble those for turkeys marketed in Cincinnati in 1955 -- a processor spread of 7.5 cents a pound and transportation cost of 1 cent a pound. See reference cited in footnote 6.

marketing turkeys from farms to consumers in different cities are similar. Farm-retail spreads for turkeys are more uniform among cities than are similar spreads for frying chickens.

Comparison of Price Spreads for Medium-Size Turkeys and Frying Chickens

Although prices for medium turkeys at various market levels were about 10 cents a pound higher than prices for frying chickens, the five-city average farm-retail spread for medium turkeys during October-December 1958 was only 0.9 cent a pound higher than the spread of 20.9 cents for frying chickens in the same cities. Prices are higher for turkeys primarily because it costs more to produce them.

Retail store spreads were smaller but other elements of the gross margin were wider on medium turkeys than on frying chickens. Spreads for turkeys and frying chickens in the fourth quarter of 1958 were:

	Medium Turkeys Cents a pound	Frying Chickens Cents a pound
Spread:		
Retail store	10.3	12.1
Receiver-retailer	3.5	2.5
Farm-receiver	8.0	6.3
Total farm-retail	21.8	20.9

Marketing techniques are similar for turkeys and frying chickens. The wider spread for turkeys, especially between the farm value and the price to retailers, probably was due to (1) greater seasonality in turkey processing and concentration in fewer commercial producing areas, (2) more long-distance hauling of turkeys from major commercial producing areas such as from California to the east coast, and (3) more storage costs because of the higher seasonality of slaughter.

The low retail markups taken on turkeys during this period in most cities were partially due to efforts on the part of retailers, especially supermarkets, to market turkeys at prices which would attract customers and enhance total sales. Retailers received some assistance in promoting the sale of turkeys from wholesalers and special interest groups affiliated with the turkey industry. This promotional assistance came in various forms, including merchandising counsel, posters and signs, flyers, and newspaper advertisements. Frying chickens frequently were sold as special low margin items in some cities throughout the year.

Decline in Prices

Five-city October-December average prices for medium turkeys at most market levels have declined from year-earlier levels each year since 1955. However, the October-December average retail price in 1958 was 2.9 cents above the 1957 average. Turkey production increased from about 65 million head in 1955 to a record of nearly 81 million head in 1957. The volume decreased to about 78 million head in 1958. Thus, retail prices tend to move inversely to production volumes.

Prices for turkeys usually decline only slightly from October to December. This intraseasonal stability in prices may be largely the result of the prevailing practice among major retail outlets of buying large quantities of turkeys in the late summer and early fall for later distribution.

Lower Prices During Preholiday Period

Retail prices of turkeys generally have been lower during the few days before Thanksgiving and Christmas holidays than at most other times as many stores featured turkeys in their advertisements during the preholiday period. Therefore, farm-retail spreads for turkeys, based on midmonth prices obtained by the Bureau of Labor Statistics, have been higher than during the few days preceding Thanksgiving and Christmas. Newspaper-advertised prices of chain stores and large independent retailers during the few days preceding Thanksgiving and Christmas in 1958 in 6 cities -- Atlanta, Boston, Cleveland, Los Angeles, St. Louis, and Washington, D. C. -- averaged more than 11 cents per pound below the midmonth retail prices reported by the BLS. This difference of 11 cents, however, was not caused entirely by the difference in the date prices were collected. These newspaper prices were simple averages of prices advertised by a not-necessarily representative sample of chain stores and large independent stores in each city, whereas BLS prices were weighted averages of prices of chain stores and independent retailers included in their stratified random sample in each city.

Volume of Sales During Holiday Season

Studies made in Washington, D. C., in 1954, and in Boston and Cincinnati in 1955, indicate that about two-thirds of all turkeys sold by retailers and wholesalers in these markets and by processors shipping to the Boston market were distributed during October-December. 8/ Medium turkeys represented a fairly stable percentage throughout the year of the varying monthly volumes of turkeys sold by chain stores but the proportion of large turkeys increased substantially in November and December and the proportion of small turkeys decreased sharply.

8/ See reference cited in footnote 6.